

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 EB-11 INT-08 SCEM-02 COME-00 TRSE-00

OMB-01 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15

ACDA-19 IO-14 NEA-10 AF-10 SCI-06 DRC-01 AID-20 /194 W

----- 061624

R IFPIQPZ NOV 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 947

INFO AMEMBASSY TAIPEI

AMEMBASSY MANILA

AMEMBASSY BANGKOK

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ENRG, RP, KS

SUBJECT: PETROLEUM CUTBACKS

REF: STATE 216846

BEGIN SUMMARY

SHORT TERM OIL SUPPLY OUTLOOK IN KOREA IS 21 PERCENT REDUCTION IN
NOVEMBER REFINERY OUTPUT BELOW LEVEL PLANNED EARLIER. INFORMATION
ON

LONGER TERM OUTLOOK IS NOT AVAILABLE. GOVERNMENT IS PREPARING
ALLOCATION PROGRAM TO BE ANNOUNCED WITHIN NEXT FEW DAYS.
ASSESSMENT

OF IMPACT ON ECONOMY WILL BE REPORTED AFTER RATIONING PLAN

DETAILS ARE AVAILABLE. DEFENSE IMPLICATIONS BEING REPORTED
SEPTEL. GOVERNMENT IS SENDING BLUE HOUSE OFFICIAL TO U.S. TO
JOIN COMMERCE MINISTER LEE NOW IN WASHINGTON AND MEET WITH CHIEF
OFFICIALS OF GULF AND CALTEX, THE MAIN U.S. FIRMS SUPPLYING KOREA
WITH MID-EAST CRUDE. MINISTER LEE NAK SUN MAY ALSO BRING SUBJECT
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UP IN MEETINGS WITH USG OFFICERS. ROKG ALSO PLANS SEND MCI ASSISTANT MINISTER ON SPECIAL MISSION TO MID-EAST TO PERSUADE SUPPLYING COUNTRIES TO GIVE SPECIAL CONSIDERATION TO KOREA. END SUMMARY.

1. REFINING FIRMS HAVE REPORTED TO MCI FOLLOWING CUTBACKS IN CRUDE SHIPMENTS FROM SUPPLYING FIRMS:

CALTEX (HONAM) 15 PERCENT

GULF (KOCO) PERCENT

UNION (KYONG IN) 27 PERCENT

AVERAGE 26 PERCENT

AS CRUDE ORDERS INCLUDED HEDGING MARGIN ACTUAL TOTAL THROUGHPUT BY ALL REFINERIES ANTICIPATED IN NOVEMBER IS 5 PERCENT LESS THAN THAT PLANNED PRIOR TO ARAB RESTRICTIONS. REFINING REDUCTION VARIES ACCORDING TO COMPANY DIFFERENCES IN CRUDE RECEIPTS. FOR NOVEMBER-DECEMBER PERIOD REFINERS NOW ESTIMATE COMBINED OUTPUT OF

ABOUT 250,000 BARRELS PER DAY; PRODUCTION PLANS WERE FOR 310,000 B/D. REFINERS ARE RELUCTANT TO EVEN GUESS AT SUPPLY OUTLOOK BEYOND YEAR END.

2. BEFORE OCTOBER 16, KOREAN REFINERS PAID APPROXIMATELY \$2.67/ BBL FOR ARABIAN LIGHT CRUDE, F.O.B. PRICE IS NOW \$6.00 ALSO, ARABS NO LONGER ALLOW CREDIT SALES CUSTOMERS BEFORE RESTRICTION. ALTHOUGH IT IS CLEAR KOREANS WILL BE PAYING MORE FOR LESS OIL, FOREIGN EXCHANGE IMPACT IS STILL BEING WORKED OUT. BOTH MCI AND ECONOMIC PLANNING BOARD HAVE ANNOUNCED THAT NO PRICE INCREASE WILL BE PERMITTED BEFORE MID 1974. REFINERS HAVE DIGESTED REDUCTION IN PETROLEUM TAXES TO OFFSET LOSSES.

3. FOR SOME TIME GOVERNMENT DISSATISFACTION AT COUNTRY'S CRUDE SUPPLY BEING TIED UP BY U.S. OIL FIRMS (GULF, CALTEX, UNION) OPERATING HERE HAS BEEN EVIDENT, AND ROKG IS INTERESTED IN DEVELOPING DIRECT CONTACT AND TIES WITH MID EAST PRODUCING COUNTRIES. ASSISTANT MCI MINISTER CHOI DISCUSSED KOREAN CEMENT-ARABIAN CRUDE BARTER DEAL DURING MID-EAST VISIT IN AUGUST BUT WAS ADVISED SAUDI ARABIA COULD NOT INITIATE DIRECT SHIPMENTS BEFORE 1976.

4. ECON COUNSELOR WAS ADVISED NOVEMBER 7 BY BLUE HOUSE SECOND SECRETARY OH, WON CHUL THAT ROKG IS DISTURBED BY EXTENT OF LIMITED OFFICIAL USE

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GULF'S CUTBACK AND THAT HE IS LEAVING FOR WASHINGTON TO MEET MCI MINISTER LEE AND TOGETHER VISIT GULF CHAIRMAN BOB DORSEY TO REQUEST INCREASE IN GULF'S CRUDE SHIPMENTS TO KOREA. DEPUTY PRIME MINISTER TOLD AMBASSADOR AT LUNCHEON THAT TEN PERCENT CUTBACK

COULD BE TOLERATED, BUT GULF'S 32 PERCENT WAS TOO MUCH. LEE AND OH ALSO PLAN TO MEET TEXACO OFFICIALS. OH SAID FUTURE COURSE OF ACTION WILL BE DECIDED AFTER THEIR CONVERSATIONS IN U.S. NEVERTHELESS, MCI SOURCES SAID ASSISTANT MINISTER CHOI WILL LEAVE NOVEMBER 9 FOR SAUDI ARABIA TO ASK THAT CRUDE OIL SHIPMENTS TO KOREA BE MAINTAINED AT 100 PERCENT OF CURRENT LEVELS.

5. PRESIDENT PARK ON NOVEMBER FIVE DIRECTED CONCERNED MINISTRIES TO DEVELOP OIL CONSERVATION PROGRAM ON CRASH BASIS. THIS NOW DUE FOR CABINET APPROVAL NOVEMBER 7 OR 8. MCI UNABLE DIVULGE DETAILS BEFORE CABINET APPROVAL, BUT SOME SPECULATIVE PRESS REPORTS INDICATE THAT CURTAILMENT OF BUS AND AIR TRANSPORTATION, LIMITATION OF LICENSING FOR NEW PASSENGER CARS AND BATHOUSES, DISCONTINUANCE OF DAYTIME BROADCASTING, AND NON-UTILIZATION OF ELEVATORS IN LESS THAN FIVE STORY BUILDINGS ARE IMPORTANT SEGMENTS OF PROGRAM. OTHER ARTICLES CLAIM CONSERVATION PROGRAM WILL BE OPERATIVE IN STAGES DEPENDENT ON EXTENT OF CRUDE OIL SUPPLY REDUCTIONS. AT TEN PERCENT CUTBACK FROM CURRENT LEVEL OF USE OF POL IN HOUSEHOLDS AND PRIVATE AUTOS WOULD BE RESTRICTED. AT 15 PERCENT, VARIOUS POL EXPORTS WOULD BE RESTRICTED. AT 20 PERCENT, OVER ALL RATIONING OF POL WILL BE PUT INTO EFFECT. ELECTRICITY CONSUMPTION ALSO WILL BE CONTROLLED. SINCE PRODUCT PROFILE CANNOT BE CHANGED MUCH, PLAN IS EXPECTED TO TAKE REFINED PRODUCT SUPPLY-DEMAND DIFFERENCES INTO ACCOUNT. NEVERTHELESS, ALTHOUGH MOST SEVERE IMPACT WILL BE FELT IN HEATING AND FUEL OILS, GOVERNMENT MAY ALSO IMPOSE RESTRICTIONS ON EXCESS SUPPLY PRODUCTS, SUCH AS GASOLINES, AS PSYCHOLOGICAL MOVE TO ENHANCE PUBLIC ACCEPTANCE OF AUSTERITY SHARED BY ALL.
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*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, MEETINGS, PETROLEUM, PETROLEUM PRODUCTION, PETROLEUM REFINING, RATIONING, SUPPLIES, VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SEOUL07486
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731164/aaaakaev.tel
Line Count: 148
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 216846
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 14 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Nov-2001 by willialc>; APPROVED <13-Dec-2001 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980313
Subject: PETROLEUM CUTBACKS
TAGS: ENRG, KS, RP, US
To: STATE INFO BANGKOK
MANILA
MULTIPLE
TOKYO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005